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United States Senate

WASHINGTON, DC 20510

COMMITTEES
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SPECIAL COMMITTEE ON AGING

AD HOC SUBCOMMITTEE ON
CONTRACTING OVERSIGHT
CHAIRMAN

October 10, 2012

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street and Constitution Ave, NW
Washington, DC 20429

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

The Honorable Marty Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chairman Bernanke, Comptroller Curry and Acting Chairman Gruenberg:

I am writing in regards to proposed rules that seek to implement Basel III capital standards. In further deliberations regarding these rules, I strongly urge you to take into consideration their impact on community banks.

As you are well aware, community banks are major stakeholders in communities across the nation. Community bank directors, officers, and employees often reside locally and they understand the needs of small businesses and families within their community. Importantly, their ability to lend is a source of economic growth for these communities.

However, unlike large financial institutions, community banks have limited access to capital markets. They either have to build capital through years of retained earnings or take other measures to attract capital. In addition, they have limited staffing resources that they can devote to activities outside of their primary business, such as lending and customer service.

That's why it is important that federal regulators heed the concerns of community banks regarding rules implementing Basel III capital standards. Missouri community banks have shared specific concerns with me including that the new rules may be appropriate for larger financial institutions, but fail to take into account how community banks use and raise capital. Other concerns of Missouri community bankers include Basel III's complex method of calculating risk-weighted assets and the problematic treatment of securities held in investment portfolios prescribed by the rules. Community banks assert that these rules will drastically increase the difficulty of managing capital, substantially limit their ability to serve their communities and will pose a significant compliance hurdle, particularly in light of the community bank's limited resources. Perhaps most important, Missouri's community banks challenge that these rules are

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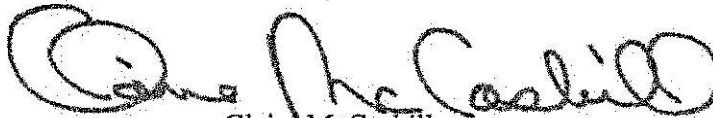
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necessary for smaller banks, like themselves, in order to achieve improved stability in the banking system.

Missouri's community bankers and I agree that financial institutions need to have a strong capital base to maintain the stability of our financial system. But I share the concerns of community banks that the Basel III rules could impose a major compliance burden and restrict their ability to lend, which would further exacerbate our protracted economic recovery. As such, I encourage you to strongly consider the concerns raised by community banks regarding these proposed rules.

Sincerely,

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent and the last name "McCaskill" following in a similar style.

Claire McCaskill
United States Senator